

NORTHERN MUNICIPAL TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Northern Municipal Trust Account, which comprise the statement of financial position as at December 31, 2012, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

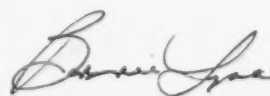
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Municipal Trust Account as at December 31, 2012, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
April 1, 2013



Bonnie Lysyk, MBA, CA
Provincial Auditor

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2012	2011
Financial Assets		
Cash	18,335	10,780
Temporary investments	4,069	10,561
Accounts receivable <i>(note 4)</i>	5,805	8,361
Inventory for resale	575	585
Total Financial Assets	28,784	30,287
Liabilities		
Grants payable	4,942	6,345
Unearned revenue <i>(note 5)</i>	1,585	1,584
Advance payments <i>(note 6)</i>	212	569
Accounts payable	131	220
Accrued landfill decommissioning <i>(note 7)</i>	256	250
Revenues collected for others <i>(note 8)</i>	157	172
Total Liabilities	7,283	9,140
Net Financial Assets <i>(schedule 1)</i>	21,501	21,147
Non-financial Assets		
Tangible capital assets <i>(note 9)</i>	4,942	5,160
Prepaid expenses	41	45
Total Non-financial Assets	4,983	5,205
Accumulated Surplus <i>(schedule 1)</i>	26,484	26,352
Contractual obligations <i>(note 13)</i>		

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2012		2011
	Budget	Actual	Actual
	(note 10)		
Revenue <i>(schedule 1)</i>			
Transfers			
Northern revenue sharing	16,618	16,618	15,176
Water and sewer	1,609	1,205	4,012
Other transfers	193	195	195
Lease fees	4,081	4,214	4,235
Taxation	2,728	2,685	2,694
Utility and fuel sales	700	777	756
Interest and investment income	351	481	566
Land sales	547	2,292	538
Other	93	414	316
Total Revenue	26,920	28,881	28,488
Expense <i>(schedule 1 and note 14)</i>			
Transfers			
Northern revenue sharing	14,601	14,693	13,639
Water and sewer	13,536	8,156	15,919
Northern capital	1,957	872	1,108
New North	320	320	320
Northern residential subdivision	1,848	157	543
Municipal services <i>(note 11)</i>	3,258	3,391	2,620
Fuel operating costs	603	653	600
Bad debt expense	71	536	39
Landfill decommissioning <i>(note 7)</i>	4	6	6
Total Expense	36,198	28,784	34,794
Surplus (deficit)	(9,278)	97	(6,306)
Accumulated surplus, beginning of year	24,649	26,352	32,612
Change in subdivision revenue policy		35	-
Prior period errors: accumulated amortization	--	--	19
Recovery (write down) of accounts receivable	--	--	27
Restated accumulated surplus, beginning of year	--	--	32,658
Accumulated Surplus, End of Year <i>(schedule 1)</i>	15,371	26,484	26,352

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2012	2011
Surplus (Deficit)	97	(6,306)
Tangible Capital Assets		
Acquisition of tangible capital assets <i>(note 9)</i>	(333)	(213)
Amortization of tangible capital assets <i>(note 9)</i>	509	496
Write-down of tangible capital assets <i>(note 9)</i>	42	97
Net Reduction of Tangible Capital Assets	218	380
Financial Assets		
Prior period errors: accumulated amortization	---	19
Recovery (write down) off accounts receivable	---	27
Change in subdivision revenue policy: accounts receivable	35	---
Net Increase (Reduction) of Financial Assets	35	46
Other Non-financial Assets		
Decrease in prepaid expenses	4	---
Net Increase in Non-financial assets	4	---
Increase (Decrease) in net financial assets	354	(5,880)
Net financial assets, beginning of year	21,147	27,027
Net Financial Assets, End of Year	21,501	21,147

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2012	2011
Operating Activities		
Surplus (deficit)	97	(6,306)
Plus landfill decommissioning costs	6	6
Plus amortization expense	509	496
Gain/loss on disposal of assets	26	(8)
Change in Working Capital Balances		
Accounts receivable	2,591	(6,717)
Inventory held for resale	9	(207)
Grants payable	(1,403)	1,385
Unearned revenue	1	38
Advance payments	(357)	(539)
Accounts payable	(89)	73
Revenue collected for others	(15)	(13)
Prepaid expenses	4	---
Cash Provided by (Used for) Operating Activities	1,379	(11,793)
Capital Activities		
Cash used to acquire tangible capital assets	(333)	(213)
Proceeds from disposal of tangible capital assets and tax title properties	17	8
Cash Used for Capital Activities	(316)	(205)
Investing Activities		
Proceeds from disposal of temporary investments	25,540	20,540
Purchase of temporary investments	(19,048)	(18,445)
Cash Provided by Investing Activities	6,492	2,095
 Increase (decrease) in Cash	 7,555	 (9,903)
Cash, beginning of year	10,780	20,683
Cash, End of Year	18,335	10,780

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2012

1. Authority and Organization Description

Northern Municipal Trust Account (NMTA), was established by Section 426 of *The Northern Municipalities Act, 2010* (Act). NMTA is administered by the Northern Municipal Services Branch of the Ministry of Government Relations (GR). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Municipalities Regulations*. The NMTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and resort subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grants Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and GR, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Development Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NMTA.

Pursuant to the Act, NMTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

a) Inventory for Resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of \$100 each. First Nations in the far north hold the remaining interest.

c) Landfill Decommissioning and Post Decommissioning Care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of \$500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met.

f) Transfer Payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Development Program – Land Development Costs

NMTA incurs land development costs for the Northern Residential Subdivision Development Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. Expenses are reported on an accrual basis.

During 2012, the NMTA changed its accounting policy for the recognition of revenue for the Northern Residential Subdivision Development Program. In previous years, the NMTA recognized revenue from the sale of developed lots in the year the lots were sold or when funds were recovered from the communities where the subdivision exists. In order to better reflect the nature of the transactions, management made the decision to recognize revenue upon completion of the developed lots. Revenue is considered earned when the official date of completion is received along with the final development cost summary from the SaskWater project manager. The new policy has been applied retroactively without restatement of prior period information. Accumulated surplus at January 1, 2012 has been adjusted for the impact of this change. This has resulted in an increase to accumulated surplus by \$35,497. The effect of this new policy on 2012 is accounts receivable and land sales revenue increased by \$1.3 million.

h) Change in Municipal Administration

The NMTA serves in a municipal function in the administration of the northern settlements and resort subdivisions.

Pursuant to sections 71 or 72 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or resort subdivision under the administration of the NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NMTA to the municipality as of the date it is established as a separate entity.

Pursuant to sections 73 of the Act, a northern settlement may be dissolved. On dissolution of the northern settlement, the related assets, liabilities, non-financial assets and accumulated surplus are transferred to the NMTA from the northern settlement as of the date it is no longer recognized as a municipality.

i) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 277 days (2011 – 106 days) and bear interest ranging from 1.60% to 2.00% per annum (2011 – 1.01% to 1.60%).

4. Accounts Receivable

<i>(thousands of dollars)</i>	2012	2011
Water and sewer infrastructure	1,741	3,543
Lease fees receivable	1,779	3,585
Accrued interest	65	62
Fuel sales receivable	115	172
Receivable from federal government (GST)	181	294
Taxes	53	14
Other	1,871	691
Total Accounts Receivable	5,805	8,361

NMTA's accounts receivable above are net of a provision of \$476,507 for taxes, \$1,598,967 for leases, and \$5,556 for other receivables that are considered doubtful, for a total provision of \$2,081,030 (2011 - \$1,616,750).

5. Unearned Revenue

Unearned revenue of \$1,585,254 (2011 - \$1,583,634) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

Advance payments represent the balance of the payments received to be allocated against future expenditures. The NMTA entered into various agreements to fund two programs:

The Northern Water and Sewer program. Many water and sewer municipal projects are jointly funded between the Provincial and Federal Government, NMTA, Aboriginal Affairs and Northern Development Canada, and the community itself whereby advance payments are received by the NMTA for future water and sewer project costs; and,

The Planning for Growth Northern Capacity Building program. Cost shared planning services will be provided to northern municipalities to facilitate the development of their official community plans (OCP's) and zoning bylaws. Program funding is received in advance from the Province and also from local municipalities to ensure their commitment to the program.

7. Accrued Landfill Decommissioning

The Environmental Management and Protection Act, 2002 (Saskatchewan) sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of the landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2012, NMTA has accrued an estimated amount of \$256,000 (2011 - \$250,000) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2012. Management estimates that the total cost to decommission landfill sites in NSAD will amount to \$650,000 (2011 - \$650,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 42 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

(thousands of dollars)

	2012	2011
School taxes due to school division	151	161
Municipal taxes collected due to hamlets	6	11
Total Revenues Collected for Others	157	172

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold.

(thousands of dollars)

	2012			2011		
	Buildings	Machinery & Equipment	Other	Water & Sewer	Total	Total
Opening cost	5,084	2,417	660	9,139	17,300	17,296
Additions	75	27	177	54	333	213
Disposals and write-downs	(2,028)	(54)	(27)	(15)	(2,124)	(209)
Closing cost	3,131	2,390	810	9,178	15,509	17,300
Opening accumulated						
Amortization	3,955	1,983	436	5,766	12,140	11,756
Annual amortization	78	82	49	300	509	496
Disposals and write-downs	(2,023)	(34)	(19)	(6)	(2,082)	(112)
Closing accumulated amortization	2,010	2,031	466	6,060	10,567	12,140
Net Book Value of Tangible						
Capital Assets	1,121	359	344	3,118	4,942	5,160

10. Budget

The NMTA 2012 budget was approved on December 31, 2011, by the Minister of Municipal Affairs.

11. Municipal Services

<i>(thousands of dollars)</i>	2012		2011
	Budget	Actual	Actual
General government	1,201	1,245	753
Utilities operating cost	916	1,072	847
Recreation and cultural	260	280	235
Environmental	292	255	262
Transportation services	541	453	476
Planning and development	---	51	---
Protective services	48	35	47
Total Municipal Services	3,258	3,391	2,620

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

<i>(thousands of dollars)</i>	2012	2011
Expense		
Water and sewer transfers	520	516
General government	521	526
Accounts Receivable		
Water and sewer infrastructure and other	1,741	3,543
Lease receivable	1,779	3,585

In addition, NMTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfer from related parties during the year:

(thousands of dollars)	2012	2011
Ministry of Government Relations	17,857	18,758
Ministry of Advanced Education	41	42
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	6	12
Grants-in-lieu from Saskatchewan ministries and agencies	53	52
	17,957	18,864

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Municipalities Regulations* and the Act, NMTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

13. Contractual Obligations

As at December 31, 2012, NMTA has entered into contracts to fund northern water and sewer, capital grants and northern subdivision projects through 2013. These obligations total \$8.8 million (2011 – \$8.0 million).

14. Expense by Object

(thousands of dollars)	2012		2011
	Budget	Actual	Actual
Transfers	30,414	24,041	30,986
Northern subdivision development	1,848	157	543
Wages and benefits	672	688	608
Administration	118	84	87
Maintenance, materials and supplies	1000	895	848
Contractual services	1,020	1,305	776
Utilities	351	372	345
Amortization	453	509	496
Loss on disposal of tangible capital assets	-	26	46
Bad debt expense	71	536	39
Other expenses	252	171	20
Total Expense by Object	36,199	28,784	34,794

15. New Standards and Interpretations Not Yet Adopted

A number of new standards are effective for future periods beginning after January 1, 2013. These future standards have not been applied in preparing these financial statements. Those which may be relevant to the NMTA are set out below. The NMTA does not plan to adopt these standards early.

PS3410 Government Transfers – This standard is effective for fiscal years beginning on or after April 1, 2012. This updated standard establishes how to account for and report government transfers to individuals, organizations, and other governments. NMTA makes significant government transfers to municipal governments. At this time, the impact of the adoption of this standard is unknown.

PS 3510 Tax Revenue – This standard is effective for fiscal years beginning on or after April 1, 2012. This new standard establishes how to account for and report tax revenue. NMTA records tax revenues assessed for northern settlements and resort subdivisions. At this time, the impact of the adoption of this standard is unknown.

PS 3450 Financial Instruments – This standard is effective for fiscal years beginning on or after April 1, 2012. At this time the impact of the adoption of this standard is unknown.

PS 1201 Financial statement presentation – This standard is effective for fiscal years beginning on or after April 1, 2012. At this time the impact of the adoption of this standard is unknown.

PS 3260 Liability for Contaminated Sites – This standard is effective for fiscal years beginning on or after April 1, 2014. This standard establishes how to account for and report a liability associated with the remediation of contaminated sites. At this time, the impact of the adoption of this standard is unknown.

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT Segmented and Restricted Assets

The NMTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and resort subdivisions. Revenues collected during the year and the accumulated surplus of \$10.9 million (2011- \$10.6 million) of the northern settlements and resort subdivisions is restricted for their use only and is not available for use by the general account. In addition to the \$10.9 million, the general account also has \$0.78 million in restricted funds derived from sale of Crown land within boundaries of resort subdivisions. The restricted funds are to be expended on capital work projects in resort subdivisions.

Statement of Financial Position As at December 31 (thousands of dollars)

	2012				2011
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Financial Assets					
Cash & temporary investments	16,801	4,994	609	22,404	21,341
Other financial assets	5,630	740	10	6,380	8,946
Total Financial Assets	22,431	5,734	619	28,784	30,287
Liabilities					
Grants payable	4,942	---	---	4,942	6,345
Unearned revenue	1,585	---	---	1,585	1,584
Other liabilities	329	352	75	756	1,211
Total Liabilities	6,856	352	75	7,283	9,140
Net financial Assets	15,575	5,382	544	21,501	21,147
Non financial Assets	41	4,613	329	4,983	5,205
Accumulated Surplus	15,616	9,995	873	26,484	26,352

Statement of Operations and Accumulated Surplus For the year ended December 31 (thousands of dollars)

	2012				2011
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Revenue					
Transfers	16,253	1,764	1	18,018	19,383
Lease fees	4,180	34	---	4,214	4,235
Taxation	2,441	49	195	2,685	2,694
Utility and fuel sales	---	777	---	777	756
Interest and investment	306	163	12	481	566
Land sales	2,165	4	123	2,292	538
Other	303	88	23	414	316
Total Revenue	25,648	2,879	354	28,881	28,488
Expense					
Transfers	24,041	---	---	24,041	30,986
Northern residential subdivision	157	---	---	157	543
Municipal services	1,115	2,048	228	3,391	2,620
Fuel operating costs	---	653	---	653	600
Bad debt expense	489	44	3	536	39
Landfill decommissioning	---	5	1	6	6
Total Expense	25,802	2,750	232	28,784	34,794
(Deficit) surplus	(155)	130	122	97	(6,306)
Accumulated surplus, beginning of year	15,736	9,865	751	26,352	32,612
Change in subdivision revenue policy	35	---	---	35	---
Prior period errors: accumulated amortization	---	---	---	---	19
Recovery (write down) of accounts receivable	---	---	---	---	27
Restated accumulated surplus, beginning of year	15,736	9,865	751	26,352	32,658
Accumulated Surplus, End of Year	15,616	9,995	873	26,484	26,352